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## Senate Defeats Plan to Limit What Elderly Pay for Drugs

By ROBERT PEAR

**W**ASHINGTON, July 24 — Having rejected two ambitious proposals to offer prescription drug benefits to everyone on Medicare, the Senate today scuttled a more modest plan to limit the amount of money that elderly people would have to spend on medicines.

The plan would have provided substantial assistance to many Medicare beneficiaries with low incomes or very high drug expenses. The Senate endorsed the plan 51 to 48, but the proposal needed a 60-vote majority under Senate budget rules.

"Our proposal gives seniors peace of mind, an assurance that they will not be ruined by catastrophic drug costs," said Senator Chuck Hagel, Republican of Nebraska, who devised the proposal with Senator John Ensign, Republican of Nevada.

But Senator Charles E. Schumer, Democrat of New York, said it was "a minimalist plan" that would require poor people to spend \$1,500 a year before getting any help.

The proposal received more votes than many people had expected — almost as many as a comprehensive Democratic proposal that on Tuesday won support from 52 senators, 8 shy of the number needed to survive.

Behind the scenes today, senators kept searching for a compromise that might allow them to pass some legislation that would add drug benefits to Medicare, as the House did last month. Democrats, who control the Senate, could be embarrassed if they failed to pass legislation on the issue before this fall's elections.

Senator Max Baucus, the Montana Democrat who is chairman of the Finance Committee, said he was reaching out to several Republicans who he thought might share his desire for a compromise. The Republicans include Senators Olympia J. Snowe of Maine, Charles E. Grassley of Iowa and Orrin G. Hatch of Utah.

The bipartisan group is considering an option that Senator Baucus devised. Under his plan, the government would start providing Medicare drug benefits in 2005 but would shift more of the responsibility to private insurers and

health plans operating under contract with the government. These private entities would gradually assume more of the financial risk. They would have an incentive to earn profits, but the government would limit their potential profits and losses.

Medicare itself would deliver drug benefits in any area where no private insurer wanted the business.

Although Senate Democrats criticized the Hagel-Ensign bill earlier today, some of them expressed interest tonight, for the first time, in providing assistance to people with low incomes or high drug costs.

"That idea has a lot of merit if we don't have the votes for a total comprehensive package," said Senator Debbie Stabenow, Democrat of Michigan. "Do we get something done or just have an issue? We want to get something done."

After a meeting of their caucus tonight, some Democratic senators spoke favorably of a proposal to provide Medicare coverage of prescription drugs for people with incomes less than twice the poverty level (less than \$17,720 for an individual). Under the proposal, floated by Senators Blanche Lincoln of Arkansas and Jeff Bingaman of New Mexico, Medicare would also help people with drug costs exceeding \$4,000 a year.

Under the Hagel-Ensign proposal, the federal government would have endorsed drug discount cards issued by private entities, including companies that manage pharmaceutical benefits for large employers. With those cards, Mr. Hagel said, elderly people could have saved 25 to 40 percent on prescription drugs.

Under the proposal, Medicare would also have set limits, linked to income, on an individual's liability for prescription drugs.

"For a person who makes less than \$17,720 a year, we cap out-of-pocket expenses at \$1,500," Mr. Ensign said. "This is a little over half of the seniors in this country. If you make between \$17,721 and \$35,440 a year, your out-of-pocket expenses are capped at \$3,500."

But Democratic senators and AARP, the lobbying group for millions of the elderly, said the benefits were inadequate.

"A senior citizen with an income of only \$18,000 a year would have to pay \$3,500 — 19 percent of their meager income — before they got any help," said Senator Edward M. Kennedy, Democrat of Massachusetts.

